



Newsletter

Master Promissory Note (MPN) Planning Continues

by DeDe Conner

KHEAA hosted meetings in December for Alabama and Kentucky schools and lenders. The meetings took place December 10 in Birmingham, Alabama, and December 14 in Lexington, Kentucky. Schools and lenders attending these sessions included:

Asbury College, Asbury Theological Seminary, Bank One, Bellarmine College, Berea College, Brescia University, Campbellsville University, Centre College, Cumberland College, Eastern Kentucky University, edsouth, Georgetown College, Kentucky Mountain Bible College, Kentucky

Higher Education Student Loan Corporation, Lexington Theological Seminary, Louisville Presbyterian Seminary, McKendree College, Midway College, Murray State University, Northern Kentucky University, Regions Bank, Saint Catharine College, SouthTrust Bank, Star Bank, Student Loan Funding, Sullivan College, Thomas More College, University of Kentucky Medical and Dental Schools, University of Louisville, University of North Alabama, University of South Alabama, University of Western Alabama, and Union Bank and Trust.

The meetings focused on developing school, lender, and guaranty agency implementation plans. Dear Colleague Letter (DCL) 98-25 was discussed in detail. This DCL provides guidance on the multiyear feature of the MPN; rights and responsibilities of a borrower who uses the MPN; examples of notification and confirmation processes; test of alternatives for notification and confirmation; features of the Federal Stafford Loan MPN, including borrower's rights and responsibilities and a paper Federal Stafford Loan school certification form; and printing instructions for the MPN forms. The group also discussed a listing of frequently asked questions developed by NellieMae and school implementation issues.

It is KHEAA's desire to work with participating lenders and servicers in a proactive approach to MPN implementation. Lenders and schools that were unable to attend one of the above mentioned meetings may call Lissa Caldwell at (800) 928-8926, extension 7277, or (502) 696-7277 or e-mail lcaldwell@kheaa.com to request the training materials used.

KHEAA will survey participating schools to determine their implementation plans for MPN. Some of the issues that need to be considered are:

- Will the school implement MPN for the 1999-2000 academic year? Will MPN be used as a serial note?
- Will there be changes in the application process flow in conjunction with MPN implementation?
- How will the student request a specific loan amount?
- What control points will be used?
- If the school chooses to require confirmation, how will this be accomplished in serial years?
- What changes are needed in consumer information?
- Will the school's disbursement process change?

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Inserts:

- *Common Manual* Updates
References #268, 269, 271, 272, 273, 274, 276,
and 278

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KHEAA staff is willing to help schools and lenders work through their implementation issues. If you have questions regarding MPN, call DeDe Conner at (800) 617-2699, extension 7250, or (502) 696-7250 or e-mail dconner@kheaa.com.

Reauthorization Brings Changes to KY EXPRESS

by Heather Boutell

The Higher Education Amendments of 1998 state that schools no longer have to provide the Cost of Attendance (COA), the Expected Family Contribution (EFC), and the Estimated Financial Aid (EFA) for Federal Family Education Loans. This provision applies to Federal Family Education Loan Program (FFELP) loans on or after October 1, 1998. Consequently, KY EXPRESS has been modified so that these fields are no longer required when submitting files via batch or keying applications online. Schools may continue to submit this information to KHEAA; however, these fields will no longer be required to process a loan application.

Reauthorization also eliminated the multiple disbursement requirement for students enrolled in a school whose cohort default rate for each of the three most recent fiscal years is less than 10%, and the period of enrollment is not longer than one semester, trimester, or quarter or four months. These disbursement provisions are effective beginning October 1, 1998, and ending September 30, 2002. KY EXPRESS has been modified to accept single disbursements. Schools remain responsible for setting disbursement(s) in accordance with federal requirements.

If you have questions about these changes, contact Robin Buchholz, Guarantee Operations Section, at (800) 617-2699, extension 7240, or Heather Boutell at (800) 617-2699, extension 7238.

Student Loan Interest Deduction

By Anita F. Moore

The Taxpayer Relief Act of 1997 provides for a student loan interest deduction for the first 60 months that a "qualified education student loan" is in repayment. A "qualified education student loan" may be any loan incurred solely to pay the costs of attendance at an eligible educational institution for a student enrolled at

least half time in a program leading to a degree, certificate, or recognized credential. The costs of attendance include tuition, fees, room, board, books, equipment, and other necessary items such as transportation.

Taxpayers will be able to claim this deduction for the first time on their 1998 tax returns filed in 1999. This deduction is for payment of interest that is due and paid on or after January 1, 1998. Interest is deductible for loans taken for a taxpayer's own education, spouse's education, or dependent's education. The taxpayer claiming the deduction must be the one making the interest payments under the terms of the student loan.

KHEAA mailed interest notices to all defaulted borrowers meeting the requirements. Lenders or loan servicers have provided similar notices for loans they hold. Any questions regarding the student loan interest deduction may also be referred to KHEAA's status lines at (800) 928-8926.

Default Aversion Changes Due to Reauthorization

by Judith L. D. Lang

In a letter mailed in December 1998, the Default Aversion Section advised lenders and servicers of some of the changes made in default aversion as a result of the recent reauthorization. To assure that all participating lenders and servicers have read the information disseminated in that letter, we wanted to include the information in this issue of the *KHEAA Newsletter*.

The letter emphasized lender/servicers must begin requesting preclaim assistance when an account becomes 60 days delinquent. Preclaim assistance requests should be cancelled only when the account becomes current.

It was also requested that lender/servicers report in accordance with the guidance above as soon as possible; however, we realize that system programming changes may have to be implemented prior to addressing the above requests. If you will not be able to submit preclaims at 60 days and/or cancellations at zero days delinquent by February 1, 1999, contact Judith Lang at (502) 696-7225.

Disaster Areas Declared

by David Rayborn

The Federal Emergency Management Agency (FEMA) recently declared several disaster areas. Consequently, the U.S. Department of Education (USDE) has advised guaranty agencies of the availability of disaster-related forbearances for those adversely affected by these disasters. Lenders are authorized to apply USDE's disaster-related forbearance policies to those borrowers who are residents of counties declared disaster areas and who are adversely affected by the disaster.

The following table contains a list of those areas recently declared disaster areas. The counties listed in bold letters indicate additional counties that have been added to a previously declared disaster area. The disaster declarations are listed alphabetically by state and include additional information about each notification.

Disaster Area	Disaster Letter	Notification Date	Disaster Date	Type of Disaster(s)	Designated Counties
Alabama	98-108	October 13, 1998	September 26, 1998	Hurricane	Butler and Conecuh (Also see 98-103)
Alabama	98-112	October 19, 1998	September 26, 1998	Hurricane	Choctaw and Lowndes (Also see 98-108)
Florida	98-119	November 10, 1998	November 4, 1998	Storm Damage	Monroe
Florida	98-123	November 19, 1998	November 4, 1998	Storm Damage	Palm Beach (Also see 98-119)
Kansas	98-110	October 16, 1998	October 1, 1998	Tornadoes and Flooding	Johnson, Seward, and Wyandotte
Kansas	98-117	November 9, 1998	October 30, 1998	Flooding and Storm Damage	Butler, Cowley, and Sedgwick
Kansas	98-120	November 10, 1998	October 30, 1998	Flooding and Storm Damage	Chase, Coffey, Franklin, Harvey, Lyon, Neosho, Summer, and Wilson (Also see 98-117)
Kansas	98-121	November 18, 1998	October 30, 1998	Flooding and Storm Damage	Douglas (Also see 98-117 and 98-120)
Kansas	98-125	December 1, 1998	October 1, 1998	Tornadoes and Flooding	Douglas and Leavenworth (Also see 98-110)
Louisiana	98-105	October 7, 1998	September 28, 1998	Hurricane	Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, St. Tammany, Tangipahoa, and Washington Parishes
Mississippi	98-104	October 2, 1998	September 26, 1998	Hurricane	Hancock, Harrison, and Jackson
Mississippi	98-106	October 7, 1998	September 26, 1998	Hurricane	Forrest, George, Greene, Jones, Lamar, Pearl River, Perry, and Stone (Also see 98-104)

Disaster Area	Disaster Letter	Notification Date	Disaster Date	Type of Disaster(s)	Designated Counties
Mississippi	98-107	October 8, 1998	September 26, 1998	Hurricane	Jefferson Davis, Marion, Pike, and Wayne (Also see 98-104 and 98-106)
Mississippi	98-111	October 19, 1998	September 26, 1998	Hurricane	Covington (Also see 98-104, 98-106, and 98-107)
Mississippi	98-126	December 9, 1998	September 26, 1998	Hurricane	Jasper (Also see 98-111)
Missouri	98-109	October 16, 1998	October 4, 1998	Flooding and Storm Damage	Carroll, Clay, and Jackson
Missouri	98-114	October 21, 1998	July 10, 1998	Flooding and Storm Damage	Jackson and St. Louis
Missouri	98-118	November 10, 1998	October 4, 1998	Flooding and Storm Damage	Platte and Ray (Also see 98-109)
Texas	98-115	October 22, 1998	October 17, 1998	Flooding and Storm Damage	Bastrop, Bexar, Burelson, Caldwell, Calhoun, Colorado, Comal, DeWitt, Fayette, Goliad, Gonzales, Guadalupe, Hays, Jackson, Karnes, Refugio, Travis, Victoria, Wharton, and Wilson
Texas	98-116	October 27, 1998	October 17, 1998	Flooding and Storm Damage	Austin, Ft. Bend, Harris, Montgomery, and Waller (Also see 98-115)
Texas	98-122	November 19, 1998	October 17, 1998	Flooding and Storm Damage	Atascoa, Brazoria, Galveston, Liberty, Matagorda, Nueces, and San Jacinto (Also see 98-115 and 98-116)
Texas	98-124	December 1, 1998	September 9, 1998	Flooding and Storm Damage	Jefferson and Matagorda (Also see 98-98)
Washington	98-113	October 19, 1998	March 1, 1998	Landslide	City of Kelso

For additional information or to obtain copies of pertinent Dear Colleague Letters, contact David Rayborn at (800) 928-8926, extension 7273, or (502) 696-7273 or e-mail drayborn@kheaa.com.

Common Manual Inserts

by David Rayborn

Enclosed as inserts to this edition of the *KHEAA Newsletter* are several *Common Manual* policy updates. These bulletins include the reference numbers 268, 269, 271, 272, 273, 274, 276, and 278.

If you have questions regarding these updates or need additional copies, contact the Policy and Client Services Branch at (800) 928-8926, extension 7280, or (502) 696-7280.

USDE Makes 1999-2000 FAFSA and *The Student Guide* Available Through Web Page

by David Rayborn

USDE recently announced a new Web-based service that allows schools to order bulk quantities of the Free Application for Federal Student Aid (FAFSA) and *The Student Guide*. This system replaces the automated telephone ordering system that has been used in recent years.

To order these publications, schools are instructed to go to the Web site www.ifap.ed.gov.

From the list of links on the left side of the Web page, select "Bulk Publication Ordering System." Upon making this selection, you will be prompted to enter your school's OPEID number. Please note that the OPEID number is the eight-digit account number assigned to your school, not the six-digit School Code Number used in the past.

With the advent of FAFSA on the Web (www.fafsa.ed.gov), USDE is urging schools to evaluate the number of students who will be utilizing this medium, and, thus, will not need a paper FAFSA. USDE is requesting that schools reduce the number of paper FAFSA orders accordingly.

DCL ANN-98-13 included not only this information, but also set forth instructions for reordering, changing the delivery address, and checking order history. If your school did not receive this DCL or you need additional information regarding ordering these publications electronically, call David Rayborn at (800) 928-8926, extension 7273, or (502) 696-7273 or e-mail drayborn@kheaa.com.

USDE's Directory of Low-Income Schools Available on Web Site

by David Rayborn

USDE recently announced that the Federal Perkins Loan and National Direct Student Loan Programs Directory of Designated Low-Income Schools for Teacher Cancellation Benefits for the 1998-99 School Year will be available on its Web site. Institutions will no longer receive the directory through the mail.

The Directory can be found at the USDE Web site <http://www.ed.gov/studentaid>.

Rate Announced for PLUS/SLS Loans with Variable Interest Rate Based on the 91-day Treasury Bill Method

by David Rayborn

Some Federal PLUS/SLS loans are subject to a calendar year adjustment of the variable interest rate based upon the "91-day Treasury Bill" method that existed in §427A(c)(4) prior to enactment of the Higher Education Technical Amendments Act of 1987 (Pub. L. 100-50). The wording of the promissory notes clearly identifies the loans that are subject to this variable interest rate. The variable interest rate for these loans is equal to the "average of the 91-day Treasury Bills auctioned during the 12-month period ending November 30" plus 3.75%, not to exceed 12%.

Based upon the pertinent 91-day Treasury Bill auctions, USDE has determined that the variable interest rate for **calendar year 1999 is 8.74%** (4.99% [the 91-day Treasury Bill average] + 3.75%). **Please note: this rate applies only to PLUS/SLS promissory notes that provide for a calendar year adjustment based on the "91-day Treasury Bill" method.**

Special Allowance Rates

for the quarter ending December 31, 1998

The average of the bond equivalent rates of the 91-day Treasury Bills auctioned during the quarter ending December 31, 1998, is 4.40%. Loans from the following categories are eligible for special allowance as shown for the quarter ending December 31, 1998.

For loans made prior to 10/1/81:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.01000	.0025000
9%	.00000	.0000000

- For:
- Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS Loans made on or after 10/1/81 but prior to 10/17/86.
 - Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS Loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning prior to 11/16/86.
 - Federal Consolidation Loans made on or after 10/1/81 but prior to 11/16/86.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.0090	.002250
8%	.0000	.000000
9%	.0000	.000000
12%	.0000	.000000
14%	.0000	.000000

- For:
- Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS/SLS Loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning on or after 11/16/86.
 - Federal Stafford Loans (subsidized) made on or after 11/16/86 but prior to 10/1/92.
 - Federal Stafford Loans (unsubsidized, made pursuant to §428H of the Act) made prior to 10/1/92 for periods of enrollment beginning on or after 10/1/92.
 - Fixed-rate Federal PLUS/SLS Loans made on or after 11/16/86 but prior to 7/1/87.
 - Variable-rate Federal PLUS/SLS Loans made on or after 7/1/87 but prior to 10/1/92, *only* if the variable rate for each July 1–June 30 period reaches the statutory maximum of 12%.
 - Federal Consolidation Loans made on or after 11/16/86 but prior to 10/1/92.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.00%	.0065	.001625
8.00%	.0000	.000000
8.26%	.0000	.000000
8.41%	.0000	.000000
9.00%	.0000	.000000
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

- For:
- Federal Stafford Loans (subsidized) made on or after 10/1/92 but prior to 7/1/95.
 - Federal Stafford Loans (unsubsidized) made on or after 10/1/92 but prior to 7/1/95 for periods of enrollment beginning on or after 10/1/92.
 - Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, *except* during the in-school, grace, and deferment periods.
 - Variable-rate Federal PLUS/SLS Loans made on or after 10/1/92 but prior to 7/1/94, *only* if the variable rate for each July 1–June 30 period reaches the statutory maximum of 11% (SLS) or 10% (PLUS).
 - Variable-rate Federal PLUS Loans made on or after 7/1/94 but prior to 7/1/98.
 - Variable-rate Federal PLUS Loans made on or after 7/1/98 but prior to 7/1/03. (Special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap.)
 - Federal Consolidation Loans made on or after 10/1/92.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.00%	.0150	.003750
7.00%	.0050	.001250
8.00%	.0000	.000000
8.25%	.0000	.000000
8.26%	.0000	.000000
8.53%	.0000	.000000
9.00%	.0000	.000000
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

- For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, *only* during the in-school, grace, and deferment periods:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.66%	.0000	.000000

- For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 7/1/03, *only* during the in-school, grace, and deferment periods:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.86%	.0000	.000000

- For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 7/1/03, *except* during the in-school, grace, and deferment periods:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.46%	.0000	.000000